3 Ensuring Soundness of Financial Sector

3.1 Banking Supervision Group

3.1.1 Banking Inspection (On-Site) Department

Banking Inspection (On-site) Department (BID) is one of the core departments at SBP. Its mission is to strive for soundness and stability of the financial system and safeguard interests of stakeholders through proactive inspection, compatible with best international practices. During FY13, the functions of DFIs & Exchange Companies Inspection (On-site) Department (DFIs & ECID) were merged into Banking Inspection (On-site) Department. After this merger, BID is now responsible to conduct on-site inspections of all financial institutions which come under the regulatory ambit of SBP. Besides carrying-out regular on-site inspection of banks, DFIs, Exchange Companies (ECs) and MFBs; BID also carries out special inspection(s) as and when necessary. BID also conducts investigation on the basis of any complaint from any source/quarter. It prepares statutory report under section 25-AA of Banking Companies Ordinance (BCO), 1962, regarding write-off of loans, mark-up and other dues, or financial relief provided by the banking companies, (in which established banking practices or authorized procedures have been deviated from with a view to causing wrongful loss to the bank).

The regular on-site inspection of banks, DFIs and MFBs is conducted on the basis of CAMELS Framework. (Capital, Asset Quality, Management, Earnings, Liquidity, and System & Controls). The focus of inspection is generally on risk assessment of policies & procedures of the banks, control environment to keep attached risks within acceptable limits and compliance with laws, regulations and supervisory directives. In continuation of the inspection process, discussions are held with external auditors of the banks to review banks' internal controls, compliance with legislation & prudential standards, and adequacy of provisions. It would be pertinent to mention here that BID works in close coordination with Off-site Supervision and Enforcement Department and other departments in SBP.

Inspection Plan

During FY13, the department carried out on-site inspections of 27 banks, 3 DFIs, 2 MFBs and 28 ECs. During these inspections, the inspection teams identified significant observations on corporate governance, risk management, internal audit and compliance, AML/CFT and other regulatory breaches, which were highlighted in the inspection reports for corrective actions by the inspected institutions and timely enforcement by other relevant departments of SBP.

Preparation of Write off Reports

Besides on-site inspections, BID also prepared statutory reports, during FY13, on write-off of loans, mark-up and other dues, or financial relief provided by the banking companies, (in which established banking practices or authorized procedures have been deviated from with a view to causing wrongful loss to the bank).

Other Special Investigations

During FY13, BID conducted special inspections for verification of crop loan insurance premium claims (CLIP) of various banks forwarded by Agriculture Credit & Microfinance Department (ACMFD) under the scheme approved by the Ministry of Finance, Government of Pakistan. In addition, various special inspections at the request of other departments related to branchless banking, ATM operations, AML/CFT, frauds, complaints, financial inclusion, etc. were carried out.

Developmental Projects

The department continuously endeavors to improve its own processes. During this year some development projects were initiated which included: i) development of FX & Treasury Inspection Manual; ii) standardization of annexure for microfinance institutions; iii) development of rating mechanism for "Management"; iv) development of Annexure Toolkit for DFIs / MFBs; and v) development of Checklist & Standardization of Inspection Report of Crop Loan Insurance Premium Claims.

Specialized Groups

The department has developed over a period of time a resource pool for specialized areas like Basel Implementation, AML / CFT, Islamic Banking and Branchless Banking for the purpose of meeting the supervisory challenges in these areas. The response on queries & feedback pertaining to these areas sought by various internal stakeholders are given by these specialized groups.

Capacity Building

In order to build and enhance the skills BID officers, various local and foreign trainings were arranged in different areas including Risk Based Supervision, AML-CFT, Central Banking, Islamic Banking, Communication Skills, Prevention of Frauds in Commercial Banks, Microfinance and Financial Inclusion during FY13.

3.1.2 Off-Site Supervision & Enforcement Department (OSED)

One of the core responsibility of SBP is to regulate and supervise the financial system (comprising banking institutions/DFI's and ECs) to ensure its soundness and stability for realization of broader objectives of economic growth (and development) in low inflation environment.

OSED at present conducts off-site supervision of 37 banks, 8 DFI's, 10 MFCs and 58 ECs. OSED through an effective supervisory framework not only plays a vital role in assessing health of individual financial institution on CAELS basis but also follows-up on on-site inspection findings/observations in order to ensure compliance with the regulatory, policy and statutory rules and instructions. A penalty regime is in place to deter financial institutions from non compliance of regulatory instructions. Apart from ensuring health of every institution; OSED also conducts macro prudential oversight to achieve the objective of financial stability.

To keep pace with the rapidly changing financial and economic world, OSED strives for continuous improvement in supervisory framework to achieve the core objective of financial stability. The key initiatives undertaken, during FY13, in this respect were following.

Consolidation of Supervisory Structure at SBP

Following the in-house restructuring/reorganization in November 2012, functions performed by erstwhile Banking Surveillance Department (BSD) have been transferred to Banking Policy and Regulations Department (BPRD) and OSED to facilitate enhanced coordination in the policy and supervisory frameworks. Functions pertaining to policy formulations including Basel Accord implementation, risk management policy, financial disclosure policy, and related party exposures and transactions were transferred to BPRD. Functions dealing with compliance, monitoring and financial analysis (including stress testing), monitoring of large exposures, equity exposures and financial statements, and implementation of ICFR were transferred to OSED.

Enhancement in SBP's Macro Stress Testing Framework

As part of enhanced surveillance, OSED has been assessing the resilience of banking system towards shocks to the financial and macro-economic risk factors, which are closely associated with the performance of the economy. Recently, OSED has embarked on a macro financial vector autoregression (VAR) model for assessing the impact of macro shocks on borrowers' repayment capacity and its bearing on solvency profile of the banking system in parallel with Credit Portfolio View (CPV); piecemeal model for measuring banking performance indicator such as Gross Non-Performing Loan Ratio (GNPLR). The CPV model is well specified and is adequate for supervisory surveillance. The initiative taken by SBP for developing the VAR model has been appreciated by the multilateral experts.

Macro-prudential Indicators

Financial Stability Assessment and Publications Division (FSAP) at OSED has been preparing quarterly Financial Soundness Indicators (FSIs) of the banking industry and publishing the same on its website since September 2009. In order to facilitate the stake holders, SBP started publication of a comprehensive Quarterly Compendium of statistics of the industry from March 2011. In addition to the FSIs, the compendium comprises detailed statistics of the banking industry, DFIs and Islamic banks.

In December 2010, the IMF approached SBP for preparation and direct submission of FSIs, and metadata to the IMF's web portal. OSED remained engaged with IMF for about two years to align the FSI's as prepared by SBP and as required by IMF on array of conceptual (definitions) and calculations (formulae) platforms. The submission process of FSIs and metadata was successfully completed in May 2013 on IMF's required format. The quarterly time series presently loaded on the IMF website are from March 31, 2008 to June 30, 2013 and are being updated on quarterly basis.

SBP representation on Financial Stability Board (FSB)-Regional Consultative Group (RCG) Asia

Effective participation on such esteemed platforms not only earns laurels for the respective country but also opens up new avenues for sharing idiosyncratic experiences and to learn about the new developments happening across different areas of common interests. On regional front, SBP is playing an active role in bank regulation. Governor SBP, representing the Bank on the Regional Consultative Group, effectively participated and contributed in the discussions, the fact that was duly recognized by the RCG Heads. Governor was twice invited as a lead discussant on the issues of managing ***Systemically Important Financial Institutions (SIFIs)*** and implementation of ***BASEL-III*** where he shared his detailed thoughts on the issues as well as status of implementation and SBP approach towards these new regulatory regimes.

3.2 Banking Policy and Regulation Group

3.2.1 Banking Policy & Regulations Department (BPRD)

Entry of New Banks/Microfinance Banks

During FY13, Advans Microfinance Bank was allowed to commence its operations in Pakistan as a Province-wide microfinance bank in Sindh. Further, nation-wide microfinance banking license was issued to U Microfinance Bank thus enhancing its scope of operations from a district-wide to a Nation-wide microfinance bank.

Opening of New Bank Branches

During FY13 Banks/MFBs were allowed to open 772 new branches[1] which included 527 conventional banking branches, 172 Islamic banking branches and 73 microfinance branches. Accordingly, total number of bank branches in the country reached to 11,699.

Overseas Expansion of Pakistani Banks

Presently, eight Pakistani banks are operating in 36 countries of the world in different modes (i.e. branches, representative offices and subsidiaries/joint ventures). During FY13, SBP allowed Pakistani banks to further expand their overseas operations in Afghanistan, Bangladesh, Mauritius, Bahrain, Sri Lanka, Seychelles, Malaysia and China.

Facilitation in Various Government Initiatives

SBP has been facilitating Government of Pakistan (GoP) in its various initiatives, like financial assistance to flood affectees through Watan Cards/Pakistan Cards, financial assistance to poor women through Benazir Cards and opening of various special accounts under Prime Minister's/Chief Minister's Special funds for affectees' relief. During FY13, SBP continued its support by coordinating and facilitating Benazir Income Support Programme (BISP), NADRA and the concerned banks in the process of disbursement of BISP funds to the beneficiaries through smart cards.

Enhancing the Coverage Ratio of ATMs

Besides the number of branches, other key parameter to measuring the access of finance is the number of Automated Teller Machines (ATMs) installed by banks in the country. Therefore, keeping in view the low ratio of ATMs per branch in Pakistan and to supplement other initiatives for financial inclusion already being undertaken by SBP and the industry, banks were advised that effective from CY13 onwards, all banks shall add one ATM in their network against each new branch to be opened in a calendar year. Further, the banks having less than 1:1 ATM per branch ratio were also directed to cover their existing gap linearly, in 5 years starting from CY13. As a result, in the first six months of CY13, the banks have added about 450 ATMs in their networks and have also submitted plans for installation of around 700 more ATMs throughout the country in the second half of CY13.

Branchless & Mobile Banking

Branchless Banking approvals for pilot launch were given to Bank Alfalah Limited and Meezan Bank Limited. In addition, U-Microfinance Bank Limited, Habib Bank Limited, Waseela Microfinance Bank Limited and Askari Commercial Bank Limited were given approval to launch their branchless banking services on a commercial basis. Apart from branchless banking, mobile banking (a mobile phone banking service for bank's existing customers) commercial launch approvals were granted to Bank Alfalah Limited and Faysal Bank Limited. Allied Bank Limited was allowed to launch their mobile phone banking services on a pilot basis. Owing to enabling policy framework, the major banks and all the five Mobile Network Operators have developed alliances to leverage their financial services expertise, technology and distribution network for extending efficient and low cost financial services in every corner of the country. The market for branchless banking services has been flourishing. As of June 30, 2013 there were more than 90,000 branchless banking agent touch points providing branchless banking services across 1350 cities, towns and villages of Pakistan. The volume of transactions through agent banking as of June 30, 2013 has reached over 250 million transactions worth of over Rs 1,200 billion.

[1] Branches also include sub-branches and permanent booths.

Banking Regulations

SBP's regulatory framework endeavors to promote financial stability, efficiency, and market discipline in the banking industry. During FY13, SBP focused on close cooperation and coordination with Securities and Exchange Commission of Pakistan (SECP) and other associations/bodies, including Pakistan Banks Association (PBA) and Institute of Chartered Accountants of Pakistan, to ensure cohesive policies and regulations. The State Bank, involving all material stakeholders, carried out review of the set of Prudential Regulations for corporate/commercial banking which is at its advanced stages of completion. SBP also remained involved in different policy initiatives of SECP and provided its feedback on Commercial Paper Regulations, 2013, Underwriters Rules, Review of Valuers Regime etc. Based on industry feedback through PBA, review of instructions on writing off consumer loans is in process. In addition, Regulations for Debt Property Swap are being finalized.

Mergers & Acquisitions

Three acquisition transactions involving a commercial bank and two microfinance banks were carried out during FY13 and the new (respective) management took-over control of these banks.

Anti-money Laundering and Countering the Financing of Terrorism (AML/CFT) Regulations

Revised AML/CFT Regulations for banks/ DFIs were issued vide BPRD Circular No. 2 dated September 13, 2012. The regulations follow international standards to manage related risks in a systematic way. In comparison with old regulations, the new regulations inter alia require record retention for 10 years, risk assessment of new products and services, extended category of identity documents, enhancing controls on online transfers, expanding due diligence requirement to close associates or family members of Politically Exposed Persons, clarified responsibilities of respective institutions in wire transfers/correspondent banking, linking Customers' profiles with automated transaction monitoring systems. The regulations require due diligence at the time of hiring employees and require banks to provide adequate training to employees including online training. Moreover, stringent requirements for the accounts of NGOs/NPOs and Charities have been introduced.

Guidelines on Risk Based Approach on AML/CFT

SBP also issued separate Guidelines on Risk Based Approach (RBA), and banks/DFIs have been required to improve their RBA as per the Guidelines and best practices including relevant recommendations, interpretative notes, best practices papers etc. of the FATF and Basel Core Principles. The regulations require banks to apply RBA in their relationships and services keeping in view the factors like customer type, products, delivery channels and location. The concept of Customers Risk Profiling on scenario-based ranking of customers has been developed along with development of Red Alerts to trigger scrutiny of accounts and transactions.

Strengthening of Capital and Implementation of Basel III

Consequent to changes in the international capital standards and to strengthen SBP's regulations on banks' capital adequacy, Quantitative Impact Assessment was carried out to evaluate the impact of newly proposed Basel-III capital regime on capital adequacy of Pakistani banks. The assessment indicated that, with the exception of a few small-size banks, banking industry was well placed to comfortably meet the capital requirements as prescribed under Basel III capital accord. Keeping in view this assessment, SBP issued revised instructions on capital adequacy. While these instructions mainly strengthen the SBP's existing rules (under Basel II capital accord) on the definition of capital and related deductions, a number of new concepts such as Leverage Ratio, Loss Absorption Clause and Capital Conservation Buffers are being introduced for the first time. Moreover, in the coming years SBP plans to initiate deliberations on other aspects of Basel III, like enhancing risk coverage on Counterparty Credit Risk, enhanced Disclosure Requirements, introduction of Countercyclical Capital

Buffers, additional capital requirements for Systemically Important Financial Institutions and introduction of Liquidity Coverage and Net Stable Funding Ratios.

Internal Capital Adequacy Assessment Process (ICAAP) - Reporting Template

The review of first Internal Capital Adequacy Assessment Process (ICAAP) document (1st component under Pillar 2 of Basel II) as submitted by Banks/ DFIs manifested a great deal of diversity in terms of scope as well as coverage. Therefore, SBP devised a format, prescribing minimum set of information for various components of ICAAP so as to ensure consistency and uniformity. The use of standardized ICAAP reporting template would not only make the Supervisory Review and Evaluation Process (SREP) more efficient for both the bank and SBP, it would also enhance the comparability of respective ICAAPs across different banks having similar business and risk profiles. Moreover, as per the SBP instructions, banks and DFIs are also required to review their ICAAPs annually, or more frequently in the event of a material change in their respective risk profiles.

Internal Credit Risk Rating System – Retail Portfolio

Guidelines on Internal Credit Risk Rating System in banks/DFIs issued in 2007 mainly pertained to corporate portfolio. Therefore, instructions on Internal Credit Risk Rating System – Retail Portfolio were issued; vide BSD Circular No. 1 of January 2, 2013, for rating of retail loans (including retail SMEs loans). As per the instructions, banks shall develop an application and behavioral scorecards for their retail borrowers including consumer portfolio. The banks should review and update the assigned scores at regular intervals, which may range from one month to one year.

Consolidated Supervision

Besides the risks residing on its books, a bank is exposed to a number of risks which arise from its association with affiliated entities. These contagion risks could significantly affect the stability of both individual banks as well as the entire banking system. Therefore, consolidated supervision is considered a critical part of any effective banking supervision framework. The recent financial crisis, in particular, highlighted the importance of supervision of financial conglomerates. Therefore, international standard setters i.e. Basel Committee on Banking Supervision and Joint Forum of International Standards Setters on banking, insurance and securities supervision have propounded principles for the consolidated supervision of banks and effective supervision of financial conglomerates.

During FY13, SBP made developments on its (earlier initiated) plan for the consolidated supervision of banking groups and is also monitoring financial conglomerates in collaboration with SECP. These initiatives aim to monitor and proactively mitigate the contagion risk and address the challenges which may arise from conglomeration in the financial sector. In order to strengthen the ongoing monitoring framework, the BPRD(SBP), in collaboration with SECP, devised and issued regulatory returns (in September 2012) to collect key information from banks and NBFIs on half yearly basis. Incidentally, a key element of consolidated supervision is that the bank regulator should have adequate powers to supervise, and issue prudential standards, to banks on consolidated basis. Further, ownership and corporate structure greatly influence the stability and performance of banks and financial sector. For these considerations, certain amendments in the BCO, 1962 have been envisaged and are in consultation process with stakeholders.

Other Initiatives

In order to facilitate taxpayers and revenue collection, SBP in collaboration with the Federal Board of Revenue (FBR) advised the banks to open authorized branches for extended hours on quarterly, half yearly and yearly closings.

3.2.2 Islamic Banking Department

Islamic Banking

To facilitate and catalyze development of sound and stable Islamic banking industry in the country, SBP is actively engaged in various promotional and regulatory initiatives. The key measures and steps taken towards this goal during FY13 are given below.

Mass Media Awareness Campaign

Despite showing significant growth in terms of assets, financing, investment, deposits, market share and branch network, Islamic banking industry of Pakistan is still facing many issues and challenges. Misconceptions and lack of awareness/understanding among the general public are at top amongst them. Though Islamic Banking Institutions (IBIs) have been organizing awareness seminars, conferences workshops; no significant effort was made to create mass awareness using electronic and print media at the industry level. SBP mobilized the Islamic Banking Industry to launch Mass Media Campaign during FY13 to create awareness on Islamic Finance. The first Phase of the Mass Media Campaign was launched in Ramadan 1434 AH with focus on improving visibility of Islamic Banking and removing the misperceptions about the Islamic banking in the country. The next phase will focus more on the education, awareness and improving the understanding of Islamic banking and finance.

Capacity Building Programmes for Islamic Banking Industry

Capacity building has remained a vital component of SBP strategy for future development of the industry. In this regard State Bank of Pakistan has been collaborating with reputed national and international institutions for organizing targeted seminars, lectures, training programmes and workshops for both lower and middle management of the industry. During FY13, SBP/NIBAF offered three courses on Fundamentals of Islamic Banking Operations (FIBO) in Hyderabad, Quetta and Peshawar for imparting theoretical and practical training to Branch Managers, Operation Managers and Relationship Managers of Islamic banks/branches. Further, SBP conducted seminars in various cities including Bahawalpur, Sukkur, Lahore, Peshawar and Sargodha in collaborations with SBP BSC – Development Finance Units. Further to improve the skill sets of Shariah Advisors in core banking, finance and treasury, specialized training course on 'Treasury Operation for Shariah Advisors' was organized by SBP. The course was well received by all Islamic banking institution and their Shariah Advisors.

NIBAF (SBP) and Islamic Research and Training Institute (Jeddah, Saudi Arabia) conducted two international courses on Islamic Finance during FY13. These courses received participation from Bangladesh, Turkey, Maldives and Iran. Redmoney, a Malaysian based group, organized an 'Islamic Finance News (IFN) Roadshow' in Pakistan, with support by SBP, that attracted many leading Islamic finance experts.

Global Participation

With an aim to improve the legal, regulatory, supervisory and risk management infrastructure of the Islamic banking industry, SBP has actively participated in different working committees/groups of global organizations such as Islamic Financial Services Board (IFSB) and International Islamic Financial Market (IIFM). In FY13 SBP become part of the Working group on 'Revising Standard on Supervisory Review Process' and 'Developing Core Principles for Islamic Finance Regulation'. SBP also provided support to Islamic Research and Training Institute/ Islamic Development Bank for the Survey for Financial Sector Assessment Programme for Islamic Financial Institutions (iFSAP) for Pakistan.

D-8[2] Summit on "Financial and Monetary Cooperation for Promoting Inclusive Economic Growth" was held in Pakistan. The summit among others resolved to strengthen cooperation amongst the member countries for facilitating development of Islamic banking and finance.

Adoption of AAOIFI Shariah Standards

Adoption of Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) Shariah Standards stands out as one of the key building blocks towards strengthening the Shariah compliance architecture and harmonizing the Shariah practices of the Islamic banking industry. During the year, SBP adopted two more AAOIFI Shariah Standards i.e. Standard No. 12 related to 'Sharika (Musharaka) and Modern Corporations' and Standard No. 17 on 'Investment Sukuk'. After adoption of these two standards the total numbers of Shariah Standards adopted have risen to 6.

Regulations for Islamic Banking Industry

The legal, regulatory and Shariah compliance framework for IBIs is reviewed on an ongoing basis to ensure their responsiveness to the evolving dynamics of the Islamic banking industry. During FY13, following regulations were introduced.

- In order to improve transparency and disclosures and bring standardization in IBIs' profit and loss distribution policies and practices, the SBP issued detailed Instructions for Profit & Loss Distribution and Pool Management for IBIs. The instructions were well received by domestic and international stakeholders, which are likely to improve perception and understanding of the masses generally and Islamic banking clients particularly (**IBD Circular No. 03 of 2012, dated November 19, 2012)**.
- Keeping in view the increasing number of products based on the structure of 'Diminishing Musharakah' being developed by IBIs in Pakistan, SBP has developed and issued a Shariah Standard on 'Sharikat ul Milk and Diminishing Musharakah' (**IBD Circular No. 02 of 2013, dated April 08, 2013)**.
- To ensure standardization and Shariah harmonization, the IBIs were advised to submit the detailed features of new products, process flows, accounting treatment, draft agreements and Shariah Advisors certificate at least 30 days before the launching of the product. SBP shall take up the issue, if any, with the IBI within the 30 days time frame (**IBD Circular Letter No. 02 of 2013, dated January 04, 2013)**.

Survey Based Study on "Knowledge, Attitude and Practices of Islamic Finance in Pakistan"

In order to better understand dynamics of the industry, quantify the demand for Islamic banking and measure the impact of demand-supply mismatch on the incidence of financial inclusion, SBP launched a survey-based study on "Knowledge, Attitude and Practices of Islamic Finance in Pakistan" in FY12. The study has been completed and its results will soon be shared with the industry. The findings of this study are not only expected to benefit SBP in policy formulation but also be of interest to both incumbent and potential entrants to the market.

[2] D-8 countries include Bangladesh, Egypt, Indonesia, Iran, Malaysia, Nigeria, Pakistan, and Turkey.

3.2.3 Consumer Protection Department

Financial landscape in Pakistan has transformed significantly during the post financial sector reforms period leading to increased competition amongst financial institutions. Focus on financial inclusion also led to alternate financial services delivery channels. In a technology driven financial environment, customer protection has become more challenging. Furthermore, maintaining consumers' confidence in globally connected financial system has become increasingly complex. Therefore, for stability and integrity of the financial system, consumer protection is at the heart of various (policy as well as operational) measures taken by the State Bank of Pakistan. In the absence of a comprehensive legislation on financial consumer protection, current regime of banking regulation and supervision in the country is effectively protecting the rights of financial consumers through proactive enforcement and monitoring of consumer protection framework.

Consumer Protection Department (CPD) is at the forefront of SBP's efforts in protecting consumers' rights through fair treatment, proper disclosures, and improved financial awareness/education. Towards this end, CPD strives that the financial services providers should have competitive products/services, responsible marketing practices, and adequate complaints handling and redress mechanisms to safeguard all the segment of customers.

Over the years CPD, as an Integrated Dispute Resolution Centre for redressal of financial grievances, has provided relief to thousands of consumers through *free of cost* mediation as an alternate to the judicial recourse. Besides, CPD is also functioning as quasi judicial forum for complaints' redressal. The courts (High Courts as well as the Supreme Court of Pakistan) have referred certain writ petitions/suits/cases for direct disposal through speaking orders. This confidence of the judicial system in the SBP's complaint resolution process is an indicator of CPD's performance in the area of financial consumer protection.

During FY13, CPD received and resolved a total of 5,654 complaints as against 6,037 complaints received in a year earlier, showing an overall decline of 6.3% in the number of complaints against banks/ DFIs/ Microfinance banks. Three-fourth of these complaints were lodged against 8 big banks having extensive branch outreach in urban as well as rural areas, large deposit base, substantial consumer finance portfolio and vast network of ATMs. The analysis of complaint data revealed that around 75% of the complaints were lodged against private sector banks followed by the public sector banks (14%). Further, over 60% of the complaints lodged were pertaining to (i) Account Operations & Deposits, (ii) Credit Cards, (iii) Personal Loans, (iv) ATMs and (v) Remittances.

Consumer Awareness Initiatives

Emergence of diversified and sophisticated financial products/services has necessitated for more effective financial consumer protection measures. This led SBP to ensure consumer protection which is complemented by financial education and market intelligence to highlight products/services and practices posing undue risk to consumers, such as aggressive credit-card marketing, deceptive sales practices and outsourcing of debt collection. Accordingly, in addition to the financial literacy initiatives launched by the Agricultural Credit & Microfinance Department (like Nation-wide Financial Literacy Program); CPD also initiated concerted consumer education/awareness campaign for different segments of society including members of Small Traders Associations, NGOs, Consumers Associations, and faculty members and students of reputable universities / management institutes throughout the country. During the year 2013, such programmes were arranged with the collaboration of 13 SBP-BSC field offices across Pakistan, covering 18 reputable universities.

These awareness workshops/seminars are aimed at disseminating information relating to complaint redressal mechanism available for the victims of financial frauds, role of State Bank in resolving the disputes vis-à-vis role and functions of Banking Mohtasib Pakistan (BMP). It is important to mention here that during FY13, the parliament has enacted a new piece of legislation namely Federal Ombudsmen Institutional Reforms Act, 2013 to standardize and harmonize the laws relating to Federal Ombudsmen Institutions functioning in Pakistan (Box 3.1).

Moreover, CPD's consumer education/awareness campaign also covers basic but necessary information relating to debt collection/recovery guidelines, precautionary measures for using ATMs, Debit/Credit Cards, Cheque Handling, Identity Theft and Skimming Frauds and understanding on e-CIB functions and its implications for debtors.

Box 3.1 - Enactment of Federal Ombudsmen Institutional Reforms Act, 2013

The parliament has enacted a new piece of legislation on February 12, 2013 namely Federal Ombudsmen Institutional Reforms Act, 2013. This newly enacted Act provides institutional reforms for standardizing and harmonizing the laws relating to Federal Ombudsmen Institutions functioning in Pakistan. The provisions of Section 2(b) & 2(c) provide applicability of this Act to the Office of Banking Mohtasib Pakistan (BMP). Under this Act, the role of Banking Mohtasib Pakistan has been further strengthened by culminating the SBP's role as Appellant Authority against the orders passed by BMP. Now, any person or party aggrieved by a decision, order, findings or recommendations of BMP may file representation directly to the President of Pakistan within thirty days of such decision, order, findings or recommendations.

Further, in terms of Section 3 of this Act, the tenure of holding the office of BMP has been extended from three years to four years; with no provision for second term. Moreover, BMP Secretariat has been given autonomy with regard to administrative and financial expenses under Section 17(2) of this Act, which will now be borne by the Government through Federal Consolidated Fund. Earlier, SBP was arranging budgetary requirements of BMP Secretariat from all banks in such a proportion as was approved by the Governor SBP.

CPD's role remained integral during the General Election 2013. The Election Commission of Pakistan (ECP) collaborated with the State Bank of Pakistan (SBP), Federal Board of Revenue (FBR) and National Accountability Bureau (NAB) to scrutinize credentials of candidates who contested general election, 2013. For this purpose, an online "Candidate Management System" was developed for scrutiny of candidates and their family members. Scrutiny process was started on March 26, 2013 and completed on April 07, 2013. Particulars of 24,286 candidates and their 110,972 dependents were searched in e-CIB database as per criteria provided by ECP and system generated responses were uploaded online on daily basis. The whole scrutiny process was completed in a timely manner which was duly recognized by the then Chief Election Commissioner on many occasions.